

NATIONAL DAIRY MARKET AT A GLANCE**CHICAGO MERCANTILE EXCHANGE (CME) CASH MARKETS (09/20):**

BUTTER: Grade AA closed at \$0.9900. The weekly average for Grade AA is \$0.9867 (+.0534).

CHEESE: Barrels closed at \$1.1400 and blocks at \$1.2650. The weekly average for barrels is \$1.1260 (+.0495) and blocks, \$1.2305 (+.1070).

NONFAT DRY MILK: Extra Grade closed at \$0.9050 and Grade A at \$0.9200. The weekly average for Extra Grade is \$0.9050 (N.C.) and Grade A, \$0.9200 (N.C.).

BUTTER: The cash butter price has moved higher on a mixed market. Some contacts, looking at the "mountain" of butter in storage, wonder why prices are going up, while others speculate that people in the cash market are following the recent increases on futures prices. Churning activity is heavy in the West, light to moderate in the East and Central regions. Demand at retail is just fair unless featured. Food service orders are getting back to more normal, fall patterns. Although allocations for butterfat under the Dairy Export Incentive Program (DEIP) were announced, no invitations for butterfat have been issued.

CHEESE: The cheese market is firming. Traders remain concerned whether the current cheese supply/demand situation fully justifies recent price increases, especially in the West. Also, the barrel/block spread has widened appreciably beyond the normal 3 - 4 cents. Overall cheese demand ranges from slow to moderate. Orders continue to lack the usual fall aggressiveness. Current cheese production is generally steady to lighter. Of the annual DEIP total cheese quota of 3,030 MT, 757 MT (1,668,882 pounds) became available this week and contracts for the volume have been filled.

FLUID MILK: Milk production is steady to lighter in most sections of the country; generally lighter in the eastern two-thirds of the country and parts of the Southwest. Bottled milk sales are mixed, ranging from slow to slightly better. Surplus milk supplies are tight east of the Rockies and fully adequate to ample in the West. Some Eastern and Midwestern manufacturing plants have had to adjust their operating schedules to match the lower milk supply. More milk moved into Florida this week as lower output and improved sales created the need. The fluid cream market remains firm in the eastern portion of the country while still long in California.

DRY PRODUCTS: The NDM market is firmer. Production is light, particularly east of the Rockies. Demand for NDM is fairly active this week. On September 13, USDA, FAS announced the DEIP program-year allocations. The initial allocation made available 17,050 MT of the 68,201 MT total; the allocation was filled on September 18. The dry whey market is also firm and gaining strength. Production is steady to lighter and more producers are having difficulty keeping pace with contract demand. Few buyers are able to get a spot load direct from producers. The resale side of this market is seeing more activity. The WPC market is also firming. Prices are higher and supplies are tight. The lactose market is generally steady.

CCC: During the week of September 16 - 20, CCC net purchases totaled 2,237,211 pounds of NDM. A breakdown of the total shows 3,026,556 net pounds from the West and a Midwest cancellation of 789,345 pounds.

FEDERAL MILK ORDER ADVANCE PRICES HIGHLIGHTS (DAIRY PROGRAMS): Under the Federal milk order pricing system, the base price for Class I milk for October 2002 is \$10.15. This price is derived from the advanced Class IV skim milk pricing factor of \$6.91 and the advanced butterfat pricing factor of \$0.9935 per pound. Class I differentials specific to each county are added to the base price to determine the Class I price. The Class II skim milk price for October is \$7.61 and the Class II nonfat solids price is \$0.8456 per pound. The following are the two-week product price averages: butter \$0.9297, nonfat dry milk \$0.9080, cheese \$1.1427, and dry whey \$0.1703.

USDA ANNOUNCES DEIP ALLOCATIONS FOR 2002/03 (USDA, FAS): The U.S. Department of Agriculture announced the initial allocation under the DEIP for the July-June 2002/03 year. In order to better manage the DEIP throughout the entire year, the Uruguay Round subsidy limits of 68,201 MT of NDM, 21,097 MT of butterfat and 3,030 MT of cheese will be announced in stages. The initial DEIP allocation will make available 17,050 MT of NDM, 5,274 tons of butterfat and 757 tons of various cheeses when the Invitations for Offers are issued. The remaining tonnage will be announced in additional allocations prior to June 30, 2003. Information about the DEIP, including Invitations for Offers when issued, is available on the Internet at www.fas.usda.gov/excredits/deip.html or by calling the Operations Division, Export Credits, FAS, at (202) 720-3224 or (202) 720-6211.

SEPTEMBER MILK SUPPLY AND DEMAND ESTIMATES (USDA, WAOB): The dairy production forecast for 2001/02 is unchanged from last month. Milk price forecasts are also little changed. Cheese prices remain weak, resulting in a slightly lower Class III price. Class IV and all milk are unchanged. Forecast 2002/03 milk production is reduced this month as higher grain prices are expected to further slow growth in milk yields. However, growth in demand for dairy products remains relatively weak. Thus, the forecast for Class III milk is reduced to \$10.05-\$10.85 and the forecast for Class IV is lowered to \$10.55-\$11.55. The all milk price is projected lower than last month.

AUGUST MILK PRODUCTION (NASS): Milk production in the 20 major states during August totaled 12.2 billion pounds, up 3.8% from August 2001. July revised production, at 12.3 billion pounds, was up 2.3% from July 2001. Production per cow averaged 1,568 pounds for August, 48 pounds (3.2%) above August 2001. The number of milk cows on farms was 7.79 million head, 51,000 head (0.7%) more than August 2001, and 3,000 head more than July 2002.

FEDERAL MILK ORDER PRICE AND POOL SUMMARY, AUGUST (DAIRY PROGRAMS): During August, about 10.2 billion pounds of milk were received from producers. This volume of milk is 2.1% above August 2001 volume. (Taking into account the volume of milk not pooled due to intraorder disadvantageous price relationships, the year-to-year change is +4.8%.) About 3.9 billion pounds of producer milk were used in Class I products, 0.2% above the previous year. Calendar composition likely had a positive impact on milk used in Class I in 2002 as compared to 2001. The all-market average Class utilizations were; Class I = 38%, Class II = 11%, Class III = 45%, and Class IV = 6%. The weighted average statistical uniform price was \$11.34, \$0.09 higher than last month, and \$5.50 lower than last year.

*****SPECIALS THIS ISSUE*****

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**CHICAGO MERCANTILE EXCHANGE
CASH TRADING**

CHEESE: carload = 40,000-44,000 lbs., BUTTER: carlot = 40,000-43,000 lbs.

PRODUCT	MONDAY SEPTEMBER 16	TUESDAY SEPTEMBER 17	WEDNESDAY SEPTEMBER 18	THURSDAY SEPTEMBER 19	FRIDAY SEPTEMBER 20	WEEKLY CHANGE*	WEEKLY AVERAGE#
CHEESE BARRELS	\$1.1000 (+.0275)	\$1.1500 (+.0500)	\$1.1200 (-.0300)	\$1.1200 (N.C.)	\$1.1400 (+.0200)	(+.0675)	\$1.1260 (+.0495)
40# BLOCKS	\$1.1800 (+.0500)	\$1.2250 (+.0450)	\$1.2225 (-.0025)	\$1.2600 (+.0375)	\$1.2650 (+.0050)	(+.1350)	\$1.2305 (+.1070)
BUTTER GRADE AA	\$.9800 (+.0400)	----	\$.9900 (+.0100)	----	\$.9900 (N.C.)	(+.0500)	\$.9867 (+.0534)

*Sum of daily changes. # Weekly averages are simple averages of the daily closing prices for the calendar week. Computed by Dairy Market News for informational purposes. This data is available on the Internet at WWW.AMS.USDA.GOV/MARKETNEWS.HTM (NOTE: The NDM daily/weekly prices are reported here when changes occur. The Extra Grade price is \$0.9050 and Grade A price is \$0.9200. NDM information remains available at the above internet address.)

CHICAGO MERCANTILE EXCHANGE

MONDAY, SEPTEMBER 16, 2002

CHEESE — SALES: 12 CARS BARRELS: 5 @ \$1.0725, 1 @ \$1.0875, 6 @ \$1.1000; 14 CARS 40# BLOCKS: 2 @ \$1.1300, 1 @ \$1.1275, 2 @ \$1.1300, 1 @ \$1.1400, 1 @ \$1.1500, 1 @ \$1.1600, 1 @ \$1.1700, 1 @ \$1.1850, 1 @ \$1.1900, 1 @ \$1.1825, 2 @ \$1.1800; BIDS UNFILLED: 3 CARS 40# BLOCKS: 1 @ \$1.1800, 1 @ \$1.1750, 1 @ \$1.1725; OFFERS UNCOVERED: 2 CARS 40# BLOCKS: 1 @ \$1.1850, 1 @ \$1.2100

BUTTER — SALES: 8 CARS GRADE AA: 1 @ \$0.9450, 1 @ \$0.9550, 1 @ \$0.9600, 1 @ \$0.9650, 1 @ \$0.9700, 1 @ \$0.9725, 2 @ \$0.9800; BIDS UNFILLED: 25 CARS GRADE AA: 1 @ \$0.9775, 1 @ \$0.9750, 1 @ \$0.9725, 1 @ \$0.9700, 1 @ \$0.9675, 1 @ \$0.9650, 1 @ \$0.9625, 1 @ \$0.9600, 1 @ \$0.9575, 1 @ \$0.9550, 1 @ \$0.9525, 1 @ \$0.9500, 2 @ \$0.9475, 1 @ \$0.9450, 1 @ \$0.9425, 1 @ \$0.9400, 1 @ \$0.9375, 1 @ \$0.9350, 1 @ \$0.9325, 1 @ \$0.9300, 1 @ \$0.9250, 1 @ \$0.9200, 1 @ \$0.9100, 1 @ \$0.9000; OFFERS UNCOVERED: NONE

TUESDAY, SEPTEMBER 17, 2002

CHEESE — SALES: 5 CARS BARRELS: 3 @ \$1.1300, 1 @ \$1.1400, 1 @ \$1.1500; 11 CARS 40# BLOCKS: 2 @ \$1.2175, 1 @ \$1.2200, 1 @ \$1.2225, 2 @ \$1.2250, 1 @ \$1.2275, 1 @ \$1.2100, 1 @ \$1.2175, 1 @ \$1.2200, 1 @ \$1.2250; BIDS UNFILLED: 3 CARS BARRELS: 1 @ \$1.1225, 2 @ \$1.1000; 1 CAR 40# BLOCKS @ \$1.1925; OFFERS UNCOVERED: 1 CAR BARRELS @ \$1.1600; 1 CAR 40# BLOCKS @ \$1.2300

WEDNESDAY, SEPTEMBER 18, 2002

CHEESE — SALES: 3 CARS BARRELS @ \$1.1275; 15 CARS 40# BLOCKS: 4 @ \$1.2300, 1 @ \$1.2200, 2 @ \$1.2275, 1 @ \$1.2225, 1 @ \$1.2200, 1 @ \$1.2250, 1 @ \$1.2275, 2 @ \$1.2300, 1 @ \$1.2225, 1 @ \$1.2250; BIDS UNFILLED: NONE; OFFERS UNCOVERED: 2 CARS BARRELS: 1 @ \$1.1200, 1 @ \$1.1300; 3 CARS 40# BLOCKS: 1 @ \$1.2225, 2 @ \$1.2300

BUTTER — SALES: 3 CARS GRADE AA: 1 @ \$0.9700, 2 @ \$0.9900; BIDS UNFILLED: 18 CARS GRADE AA: 1 @ \$0.9800, 3 @ \$0.9700, 1 @ \$0.9625, 3 @ \$0.9600, 10 @ \$0.9200; OFFERS UNCOVERED: 12 CARS GRADE AA: 1 @ \$1.0400, 10 @ \$1.0500, 1 @ \$1.1000

THURSDAY, SEPTEMBER 19, 2002

CHEESE — SALES: 1 CAR BARRELS @ \$1.1175; 7 CARS 40# BLOCKS: 1 @ \$1.2350, 1 @ \$1.2400, 2 @ \$1.2450, 1 @ \$1.2550, 1 @ \$1.2500, 1 @ \$1.2600; BIDS UNFILLED: 1 CAR BARRELS @ \$1.1200; 3 CARS 40# BLOCKS: 1 @ \$1.2550, 2 @ \$1.2425; OFFERS UNCOVERED: 1 CAR 40# BLOCKS @ \$1.2700

FRIDAY, SEPTEMBER 20, 2002

CHEESE — SALES: 1 CAR BARRELS @ \$1.1400; 1 CAR 40# BLOCKS @ \$1.2650; BIDS UNFILLED: 1 CAR BARRELS @ \$1.1225; OFFERS UNCOVERED: 1 CAR BARRELS @ \$1.2000; 2 CARS 40# BLOCKS: 1 @ \$1.2700, 1 @ \$1.2825

BUTTER — SALES: 2 CARS GRADE AA: 1 @ \$0.9925, 1 @ \$0.9900; BIDS UNFILLED: 7 CARS GRADE AA: 1 @ \$0.9900, 1 @ \$0.9875, 1 @ \$0.9850, 2 @ \$0.9825, 2 @ \$0.9700; OFFERS UNCOVERED: NONE

BUTTER MARKETS

NORTHEAST

The market tone remains unsettled. The CME cash butter price increased four cents during Monday's (9/16) trading. By some accounts, this increase may be a reaction to recent increases in the butter future prices rather than actual supply/demand changes in the market. Butter supplies are still more than abundant to meet current needs and overall demand is fair. Seasonal improvement in demand is expected, but high retail prices continue to be cited as a deterrent to sales. Churning activity is light in the East and fresh butter is occasionally tight. Some packaged butter orders continue to be filled from inventoried butter via microfixing. The good demand for fluid cream coupled with the low volumes of surplus milk is keeping churning lighter than expected. Sales of bulk butter, f.o.b. East, are reported in a range of flat market to 4 cents over the CME price/average.

CENTRAL

The CME cash butter price, through Wednesday (9/18) has increased six cents in the last three trading sessions. This would indicate a firmer market, but butter inventories are still more than ample. Some occasional tightness of fresh butter has been noted. Churning activity is light to moderate as fluid cream sales are brisk. In the region, milk and cream supplies are reported as tight. Recent trading at the CME has seen quite a few loads change hands (33 on 9/

13) as buyers bid the market higher and, in doing so, purchase butter. Demand for packaged butter is seeing some improvement as it is time for chain stores to place orders for anticipated Thanksgiving needs. Retail prices remain quite high and are often cited as reason for the generally slow sales. Bulk butter for spot sales is selling in a range of flat – 2 cents per pound over various pricing basis.

WEST

Western contacts are somewhat surprised at the strength in the CME cash market early in the week. They note that production remains seasonally heavy and inventories are heavier than normal. They see demand as fair at best. Food service orders are transitioning into fall demand patterns. Retail sales are only fair at best because of the relatively high retail prices. Any features that are occurring are moving additional loads of butter, but they are few and far between. Cream remains available and much of it is ending up in the churns as ice cream production slows seasonally. CME weekly butter stocks fell by 2.4 million pounds during the most current week. Since the first week of July, when stocks began to decline, 18.0 million pounds have left the warehouses for an average weekly decline of 1.6 million pounds. Current prices for bulk butter range from 4 cents under to 2 cents under market based on the CME with various time frames and averages.

NASS DAIRY PRODUCT PRICES
U.S. AVERAGES AND TOTAL POUNDS

WEEK ENDING	CHEESE		NDM	BUTTER	DRY WHEY
	40# BLOCKS	BARRELS 38% MOISTURE			
SEP 14	1.1309 6,407,256	1.1135 12,959,542	0.9120 23,182,140	0.9203 3,024,084	0.1715 10,739,474

Further data and revisions may be found on the internet at: <http://jan.mannlib.cornell.edu/reports/nassr/price/dairy>

CHEESE MARKETS

NORTHEAST

Prices are generally lower on natural and process items, unchanged on Swiss. The market tone is unsettled as prices at the CME have, until Monday (9/16), traded in a very narrow range. During very active trading on 9/16, the price of 40# blocks jumped 5 cents, the largest single-day increase since late July, and barrels increased 2.75 cents. However, the last two times that block price has jumped so quickly, it eased back to "pre-jump" levels over the next week or so. Contacts are waiting to see what will happen this time. Cheese output in the East is about steady and most operations are making cheese 5-6 days a week and surplus milk supplies are still reported as tight. Demand for cheddar is little changed, but sales of mozzarella are starting to improve. Retail sales are about steady and food service orders are picking up.

WHOLESALE SELLING PRICES: DELIVERED,
DOLLARS PER POUND (1000 - 5000 POUNDS MIXED LOTS)

Cheddar 10# Prints	:	1.1875-1.6825
Cheddar Single Daisies	:	1.1450-1.6050
Cheddar 40# Block	:	1.2625-1.4950
Process 5# Loaf	:	1.2875-1.4700
Process 5# Sliced	:	1.3075-1.5800
Muenster	:	1.3500-1.5550

MIDWEST

The cheese market is steady to firm in the Midwest. Buyers are still wary wondering whether recent cheese price increases at the Chicago Mercantile Exchange may not be sustainable due to milk and cheese production in the West. While overall cheese demand continues lack the usual fall zest, natural cut cheese demand has improved somewhat in recent weeks and process interest is about steady at moderate levels. Aged cheddar interest generally remains surprisingly quiet. Fresh mozzarella supplies within the region are tight. Interest in specialty products is generally the best and a few plant operators still have problems filling orders. Tight milk supplies in the region are limiting current cheese production. Supplemental supplies of cheddar are available from the West, keeping a lid on cash cheese prices. Current milk intakes are steady to lower with recent heat and humidity contributing to the declines.

WISCONSIN WHOLESALE SELLING PRICES: DELIVERED,
DOLLARS PER POUND (1000 - 5000 POUNDS MIXED LOTS)

Process American 5# Loaf	:	1.2575-1.5300
Brick And/Or Muenster 5#	:	1.5100-1.6850
Cheddar 40# Block	:	1.4300-2.1150
Monterey Jack 10#	:	1.6900-2.1150
Blue 5#	:	1.8775-2.1900
Mozzarella 5 - 6# (Low Moisture, Part Skim)	:	1.4300-2.2150
Grade A Swiss Cuts 6 - 9#	:	1.8000-2.6850

MIDWEST COMMODITY CHEDDAR

Dollars per pound, standard moisture basis (37.8-39.0%),
carlot/trucklot, F.O.B. plants or storage centers.

CHEDDAR STYLES	:	SEPTEMBER 16 - 20, 2002
BARRELS*	:	\$1.0725 - 1.1600 (NOMINAL)
	:	(-.0175) (.0450)
40# BLOCKS	:	\$1.1275 - 1.2300 (NOMINAL)
	:	(.0125) (.0825)

() Change from previous week. * If steel, barrel returned.

WEST

Cheese prices have been soft for the past few weeks, but a firming trend developed late last week and continued into the first part of this week. Offerings of cheese from the West remain quite heavy and production is above seasonal expectations. Western contacts are watching the relationship between the CME cash cheese market and the Class III milk futures market. The milk futures market began to firm before the cheese did. The August milk production report released this week further confused the issues. Many buyers don't believe that cheese prices should firm this quickly and are waiting for an adjustment lower. Others are upping their rate of purchase before prices increase further. The most common comment heard this week is that demand is just not all that strong.

WHOLESALE SELLING PRICES: DELIVERED, DOLLARS PER POUND
(1000 - 5000 POUNDS MIXED LOTS)

Process 5# Loaf	:	1.2275-1.4875
Cheddar 40# Block	:	1.2475-1.3875
Cheddar 10# Cuts	:	1.4275-1.6475
Monterey Jack 10#	:	1.4375-1.5975
Grade A Swiss Cuts 6 - 9#	:	2.2600-2.4100

FOREIGN

Prices are steady to lower. Domestic prices are generally lower, following the change in the weekly average for 40# blocks at the CME. Demand for imported and/or foreign-type table cheese ranges from steady to improving along seasonal patterns. In relation to a year ago, the U.S. cheese market and prices are significantly weaker and the call for imported cheese for processing is off accordingly. Despite this, total cheese imports for the first half of the year were higher than year earlier levels. Stocks of most cheese are adequate to meet current needs.

WHOLESALE SELLING PRICES: FOB DISTRIBUTORS DOCK
DOLLARS PER POUND (1000 - 5000 POUNDS, MIXED LOTS)

NEW YORK		
VARIETY	IMPORTED	DOMESTIC
Roquefort	TFEWR	-0-
Blue	2.6400-3.1400	1.4825-2.9725*
Gorgonzola	3.2400-5.9400	2.0000-2.4900*
Parmesan (Italy)	TFEWR	2.9025-2.9825*
Romano (Italy)	2.1000-3.1900	-0-
Provolone (Italy)	3.4400-5.5000	1.4900-1.7125*
Romano (Cows Milk)	-0-	2.6800-4.8600*
Sardo Romano (Argentina)	2.8500-3.2900	-0-
Reggianito (Argentina)	2.6900-3.2900	-0-
Jarlsberg-(Brand)	2.7500-3.6900	-0-
Swiss Cuts Switzerland	-0-	2.3500-2.5500
Swiss Cuts Finnish	2.6000-2.8500	-0-
Swiss Cuts Austrian	TFEWR	-0-
Edam	:	:
2 Pound	TFEWR	-0-
4 Pound	2.1900-2.8900	-0-
Gouda, Large	TFEWR	-0-
Gouda, Baby (\$/Dozen)	:	:
10 Ounce	27.8000-31.7000	-0-

* = Price change.

WEEKLY COLD STORAGE HOLDINGS-SELECTED STORAGE CENTERS
IN THOUSAND POUNDS - INCLUDING GOVERNMENT STOCKS

	BUTTER	CHEESE
09/16/02	67,133	135,349
09/01/02	70,248	137,252
CHANGE	-3,115	-1,903
% CHANGE	-4	-1

FLUID MILK AND CREAM

E A S T

Spot shipments of Grade A milk into or out of Florida and other Southeastern states

	THIS WEEK		LAST WEEK		LAST YEAR	
	IN	OUT	IN	OUT	IN	OUT
FLORIDA	142	0	94	0	104	0
SOUTHEAST STATES	0	0	0	0	150	0

Regional Milk Market Administrators announced the following, July 2002 uniform prices: Northeast \$12.16, Mideast \$11.19, Southeast \$12.63, Florida \$14.19, and Western New York (a state order) \$11.90 at the base city or county in the orders. (For the Northeast, Mideast, and Western New York orders, statistical uniform prices are reported.) During August, milk production in the 20 major states totaled 12.20 billion pounds, up 3.8% from August 2001. The following are the August-to-August changes for selected states: Texas +8.2%, New York +3.3%, Virginia +2.7%, Vermont +0.5%, Pennsylvania +0.1%, Florida unchanged, and Kentucky -2.3%. This week, milk production is reported as steady in most parts of the region. In the Northeast, the milk flow is holding fairly steady as fall harvest gets under way. For many parts of New York, New England, and the Middle Atlantic area, hay and corn silage volumes and quality are, at best, suspect. A too wet spring delayed or didn't allow planting and a summer drought hurt growth. In the Southeast, harvests are well under way, if not complete and there have also been concerns over the quality of hay and other roughages. Several contacts continue to talk about farm sales/liquidations as the low price for milk and increasing costs of feed are having a greater impact on farmers' decisions. Fluid milk supplies are fully adequate to ample for bottled milk needs, but surplus milk volumes remains relatively light. Manufacturing plants are often operating on reduced schedules because of the lack of milk. Bottled milk sales are often reported as disappointing. The run-up in sales after school reopened was short-lived in comparison to past years. Florida's need for milk was higher this week as higher temperatures and rain have taken their toll on the cows, particularly in the southern part of the state. Also, contacts note that retail features are commonplace this week in Florida. The condensed skim market remains fairly strong. Spot demand is quite brisk, particularly to cheese makers who have seen their yields drop during the past few months. Prices are little changed. The fluid cream market tone is strong. Supplies are relatively tight and spot demand is generally good. Reports indicate that cream cheese makers are looking for extra loads this week. This may be in response to the recent jump in the butter price at the CME. Buying cream based on last week's average appears to be better financially than waiting until next week to buy cream. Ice cream production is steady and producers are also showing more interest in the spot market now that prices are so low. Bottled cream output is reported as slow. Churning activity remains light.

FLUID CREAM AND CONDENSED SKIM PRICES IN TANKLOT QUANTITIES

SPOT PRICES OF CLASS II CREAM, \$ PER LB BUTTERFAT

F.O.B. PRODUCING PLANTS: NORTHEAST	-	1.2600-1.3533
DELIVERED EQUIVALENT ATLANTA	-	1.2693-1.3533 M 1.2880-1.3253
F.O.B. PRODUCING PLANTS: UPPER MIDWEST	-	1.2133-1.3626

PRICES OF CONDENSED SKIM, \$ PER LB WET SOLIDS

F.O.B. PRODUCING PLANTS:	
NORTHEAST- CLASS II - INCLUDES MONTHLY FORMULA PRICES	- .9750-1.0200
NORTHEAST- CLASS III - SPOT PRICES	- .8600-.9200

M I D W E S T

Class I demand was steady near expected levels when schools are in session though at least one bottler seems slightly disappointed at current sales levels. Spot milk availability for both bottling and manufacturing is limited, especially for immediate needs. A few reports of higher premiums beyond the local "super pool" price are occurring for a very few "got to have them now" Class I loads. Overall milk supplies are very tight in the region. Milk volumes continue to move to the South under contract from the region and seemingly larger volumes to the Indiana-Ohio area. Manufacturing milk prices range from \$1.50 to 2.50 on a light test. This week's cheese price increases on the Chicago Mercantile cash market is helping fuel cheese milk demand as well as condensed skim

interest. Condensed skim prices range from \$.94 - 1.02. Cream price multiples are still holding fairly steady and demand seems to be holding up better for ice cream than normal this late into September. Current plant milk intakes are steady to slightly lower as the muggy conditions affected cows over the recent weekend in some locations. Estimated August milk production in selected Midwestern states compared with August 2001 is: Wisconsin 1.831 billion pounds, up 17 million pounds (0.9%); Minnesota 684 million pounds, down 15 million pounds (-2.1%); Michigan 506 million pounds, an increase of 17 million pounds (3.5%), and Iowa 311 million pounds, up 6 million pounds (2.0%). The fall harvest is well underway for corn silage with only limited volumes of soybeans being combined. Some late cutting hay/haylage is still being put up to help with expected winter needs. Available feed supplies for winter remains a concern within the region, particularly in the drought and dryer areas.

WISCONSIN LIVESTOCK AUCTIONS (PER CWT.)

	SEPT 12 - 18	PREVIOUS YEAR
SLAUGHTER COWS	\$ 34.50- 40.00	\$ 40.00- 46.00
REPLACEMENT HEIFER CALVES	\$350.00-580.00	\$550.00-650.00

SOUTH ST. PAUL TERMINAL AUCTION MARKET (PER CWT.)

	SEPT 12 - 18	PREVIOUS YEAR
SLAUGHTER COWS	\$ 36.00- 42.50	\$ 43.00- 47.50

W E S T

August milk production totaled 12.2 billion pounds, 3.8% higher than August 2001. Output versus a year ago was steady or higher in 18 of the 20 states. August 2002 output for selected Western states compared to last year is as follows: Arizona +24.9%, California +6.3%, Idaho +4.7%, New Mexico +13.5%, and Washington +1.5%. CALIFORNIA milk output is moving lower seasonally across the state. However, total volumes are above the levels of last year. There is more concern being expressed about the impact of lower milk prices and the effects on the producers. In addition, feed and hay costs are higher and those producers not having their feed costs contracted could feel a double pinch now and in the near future. In the northern producing areas, volumes are dropping slightly after holding up fairly well recently. Weather conditions of recent weeks in the Central Valley have moderated, although milk volumes are also trending downwards. In the South, volumes are also down slightly and some minor plant problems are interrupting processing. Milk production in ARIZONA was down slightly with the expectation that volumes are close to the seasonal bottom. Weather patterns are cooler and dryer and expected to help with the comfort levels of milk cows. Processors are handling milk normally. NEW MEXICO milk output continues along mostly steady. Plants are generally running as expected and milk is moving to normal channels within and out of the state. CREAM markets are steady to firmer in the West, but there remains an ample volume of cream. California pricing structures continue to limit cream leaving the state. Multiples are holding mostly steady in the 108 to 128, FOB range, but the total costs are higher now that the CME butter price is increasing. The AA price was 99 cents at midweek. More fall-like weather conditions are common over much of the PACIFIC NORTHWEST. Milk production is mixed in the region with both strength and weakness noted. Some much needed shower activity is noted, but it may be too late to help with the crops that are just finishing maturing. Corn silage is being cut and yields are quite variable. Many producers are hoping that the corn silage will help them out with tighter hay supplies and higher grain prices impacting the cost side. Financial stress among dairy producers continues to be an ongoing topic of discussion. The dairy support industry is really starting to feel the pressure as accounts receivables mount. Conditions have been on the wet and cool side in IDAHO and UTAH for the past week to ten days. In fact, scattered frost is predicted for tonight of tomorrow night in the CACHE VALLEY region of UTAH. Some contacts are noting that production per cow is at a lower level than anticipated with the current conditions. The speculation is that the summer stress is beginning to hit home as the weather turns wetter. Heifer prices continue to show some weakness with most sales noted below \$1500. Some indications are also noted that slaughter of dairy cows is increasing.

NDM, BUTTERMILK & WHOLE MILK

Prices represent carlot/trucklot quantities for domestic and export sales packaged in 25 kg. or 50 lb. bags, or totes, spray process, dollars per pound.

NONFAT DRY MILK - CENTRAL AND EAST

CENTRAL: Prices are unchanged to higher on a firm market. Central region low heat NDM supplies are generally short of buyer interest. Some traders are securing additional loads from the West to satisfy Central region demand. Spot activity is reported as good into cheese, ice cream and agglomeration facilities. Contractual trade is steady with no reported delays. The availability of totes is limited and short of buyer interest. Sales to the CCC ceased for the current week, eliminating the lower price of 90 cents from the price range. Production is steady on low heat and slightly higher on high heat. Demand for high heat product is increasing as bakery interest improves for the upcoming holiday season.

EAST: The market tone remains firm with prices in the East generally unchanged. Production levels are light as surplus milk volumes remain tight. There are a few reports of milk in the Northeast becoming even tighter and manufacturing plant schedules are adjusted accordingly. Plant stocks are light and a few operations are making only enough powder to cover existing contracts. Condensed skim demand is fairly active and some plants are clearing a large portion of their skim solids as a liquid. Continued and heavier movement of milk to the Southeast further reduces the volumes of milk processed at butter/powder plants. Demand for NDM is fairly good. Spot needs continue to be filled via the resale market or from producers in the West. The USDA, on September 13, announced the DEIP allocations for the new program year. Volumes are unchanged, but they are only making available 17,050 MT (approximately 25%) of the program total (68,201 MT) at this time. Through September 18, DEIP sales have already filled the allocation under this announcement.

F.O.B. CENTRAL/EAST: Includes EXTRA GRADE and GRADE A

LOW/MEDIUM HEAT: .9300 - .9700 MOSTLY: .9450 - .9550

HIGH HEAT: .9625 - 1.0250

NONFAT DRY MILK - WEST

Western low/medium heat NDM prices and the market tone are unchanged. Sales activity is slightly improved with some seasonal accounts taking more product and decent sales to the cheese trade to beef up solids in the vats. Production levels are mixed in the region, but are at high levels. During the week of September 9 - 13, adjusted support program purchases totaled 8,103,564 pounds of NDM with 7,314,219 pounds from the West. High heat prices are steady. Sales activity was slow this week. Stocks are ample for current demand. On September 13th, USDA, FAS announced the initial allocations under DEIP for the 2002/03 year. The initial allocation made available 17,050 MT of the 68,201 MT total. The allocation was filled in two days this week after invitations were issued.

F.O.B. WEST: Includes EXTRA GRADE and GRADE A

LOW/MEDIUM HEAT: .8900 - .9575 MOSTLY: .9000 - .9100

HIGH HEAT: .9250 - .9525

CALIFORNIA MANUFACTURING PLANTS - NDM

WEEK ENDING	PRICE	TOTAL SALES	SALES TO CCC
September 13	\$.9028	14,265,563	4,220,275
September 6	\$.8998	11,427,266	4,431,243

Prices are weighted averages for Extra Grade and Grade A Nonfat Dry Milk, f.o.b. California manufacturing plants. Prices for both periods were influenced by effects of long-term contract sales. Total sales (pounds) include sales to CCC. Compiled by Dairy Marketing Branch, California Department of Food and Agriculture.

DRY BUTTERMILK - CENTRAL

Prices are unchanged to higher on a mixed market. Buttermilk supplies are more in balance than the week prior with some producers clearing their stocks at the lower end of the range. Spot trades are trending higher at locations where condensed product is purchased for drying. Production is steady to lower. Plants operating on reduced schedules are not expected to resume normal operations until mid-October. Buyer sentiment is mixed with some buyers picking up loads at higher prices while others are cautious of price increases in light of heavier stocks reported in the last dairy products release. Western buttermilk supplies are an increasingly attractive substitute to the higher priced Central market.

F.O.B. CENTRAL: .7500 - .8600

DRY BUTTERMILK - NORTHEAST AND SOUTHEAST

Prices and the market tone are unchanged. Eastern prices remain nominal. There has been little spot market activity reported in the Eastern region during the past several weeks. Production levels are light and producer stocks are closely balanced. Some off grade powder is available and moving at a discount to the market. Cream supplies remain tight and regional churning activity is light to moderate. Demand is fair.

F.O.B. NORTHEAST: .7800 - .8350

DELVD SOUTHEAST: .7800 - .8550

DRY BUTTERMILK - WEST

Dry buttermilk prices are slightly higher in the West, reflecting slight firmness. Buyers were looking for more buttermilk this week, but demand was not overly aggressive. Buttermilk is available from many producers and resellers in the West. Churning activity is still active and buttermilk solids are being dried.

F.O.B. WEST: .7200 - .7800 MOSTLY: .7300 - .7500

DRY WHOLE MILK - NATIONAL

Prices are steady to lower and nominal. Production levels are steady this week after an upturn in output last week. Spot demand remains limited. Contracts continue to represent most of the sales. Plant stocks range from light to balanced.

F.O.B. PRODUCING PLANT: 1.0950 - 1.1700

WHEY, CASEIN & EVAPORATED MILK

Prices represent carlot/trucklot quantities for domestic and export sales packaged in 25 kg. or 50 lb. bags, or totes, spray process, dollars per pound.

DRY WHEY - CENTRAL

Prices are higher on a firm market. Supplies continue to tighten with little buyer recourse in alternative sources. Some resellers are marketing aged stocks at 2-3 cents over the average. For the current week, manufacturer offerings above the range are readily met with buyer resistance. Export movement is light and lower compared to the week prior. Cheese production is reportedly up at some locations resulting in higher whey production. Movement of condensed whey is steady for the contractual interest and often short of spot demand. Some producers are seeking contract cancellations on dry whey in light of realized supply shortages. While the undertone is firm, buyers and sellers are hesitant to speculate on market trends by year-end.

F.O.B. CENTRAL: .2050 - .2200 MOSTLY: .2050 - .2150

DRY WHEY - NORTHEAST AND SOUTHEAST

Prices are higher and the market tone remains firm. Eastern prices remain nominal as few spot sales are reported at the producer level. Production levels are lighter at most Eastern plants. A few continue to produce at near capacity levels while others, depending on milk supplies, are down to making cheese and whey 5 days a week. Most Eastern producers are sold out for various periods of time. Orders placed this week may not get filled until late October. Of course, that is if the producers will even take new orders. Buyers with contracts are, more often, having shipments delayed or cancelled altogether. Traders may find a occasional spot load from a producer, but many are having difficulty getting contracted volumes. There seems to be more trading among traders, which is typical during a tight, firm market. Reports indicate that traders' inventories vary widely and any sales to end users are at premiums to current market prices.

F.O.B. NORTHEAST: EXTRA GRADE .1975 - .2050
 USPH GRADE A .2000 - .2100
 DELVDSOUTHEAST: .2200 - .2500

DRY WHEY - WEST

Prices are increasing at a faster rate for Western whey powder. Offerings of whey are declining. Delays on delivery schedules are much more common. Some sales are taking place into the later part of October or the early part of November. Inventories are being held with much more confidence. Buyers are attempting to cover more of their upcoming needs with little success. Producers are looking at the widening spread between Western and Central prices and feeling that they should come somewhat closer together.

NONHYGROSCOPIC: .1500 - .1950 MOSTLY: .1575 - .1750

ANIMAL FEED WHEY - CENTRAL

Prices are higher on milk replacer and roller ground and unchanged to lower on delactose. In accord with the Extra Grade whey market, milk replacer and roller ground supplies are tightening and premium prices are realized. Roller ground inventories are in balance with buyer interest and production is steady. Delactose movement is improving into food and feed facilities, especially in light of recent price declines. Delactose production is generally unchanged to slightly higher as a result of more favorable weather conditions for manufacture. Early weaned pig trade is steady while North Central veal prices are trending steady to lower.

F.O.B. CENTRAL:
 MILK REPLACER: .1750 - .1900
 ROLLER GROUND: .1850 - .2100
 DELACTOSE (Min. 20% protein): .3100 - .3350

WHEY PROTEIN CONCENTRATE - CENTRAL AND WEST

Prices are higher on a firm market. Some suppliers are shorting their customers or delaying loads in order to negotiate insufficient supplies. Inquiries are heavy yet spot trade activity is generally slow. Some feed buyers are seeking additional loads in response to the higher prices with the idea of "buying now to save later." While 80% WPC is said to be available at competitive prices, the consequent need for whey to dilute 80% is unattractive due to whey's limited availability. Argentina 34% WPC is reported as competitive with US 34% WPC in some export markets. Supplies are tight in the Central region and available in the West. Condensed WPC is short of buyer interest. Off grade WPC is available at prices that vary with respect to the quality.

F.O.B. EXTRA GRADE 34% PROTEIN: .4300 - .4700 MOSTLY: .4400 - .4600

LACTOSE - CENTRAL AND WEST

Prices are unchanged on a mostly steady market. As whey markets continue to firm, interest in lactose is growing. Increased sales activity into export markets during the current quarter alleviated some producer stocks, encouraging firms to offer at higher prices for the fourth quarter. However, at other locations, inventories are difficult to clear and producers are offering at steady prices. Negotiations are not expected to be finalized until perhaps the first week of October. Export inquiries from Korea, Vietnam and Japan are increasing as buyers seek the most attractive offer. Movement of lactose into Oceania for standardization is noted. Production is mostly steady to slightly higher. Off grade product is available for the good interest. Prices on off grade are higher than the week prior at levels within and below the range. Limited supplies of permeate and deproteinized whey are competitive with off grade lactose for the feed grade interest.

Including spot sales and up to 3 month contracts. Mesh size 30 - 100.

F.O.B. EDIBLE: .1400 - .2250 MOSTLY: .1450 - .1700

EVAPORATED MILK - NATIONAL

Prices and the market tone are little changed. Surplus milk volumes are tighter and evaporated milk output is off accordingly. However, some operations continue to have a steady flow of milk to process. Others, who have to buy milk on the spot market, are finding it more expensive and often choose not to buy. Demand is steady. The Kansas City Commodity office announced the award of indefinite quantity contracts for evaporated milk under EVD-1, invitation 730 for delivery October - December 2002. The award is for 4,406,800 pounds at prices ranging \$0.3995-\$0.4600 per pound.

DOLLARS PER 48 - 12 FLUID OUNCE CANS PER CASE DELIVERED MAJOR U.S. CITIES \$18.00 - 30.00

Excluding promotional and other sales allowances. Included new price announcements.

CASEIN - NATIONAL

Prices for both casein types are unchanged and very little new news has developed in either market. Contracted volumes of casein and caseinates are moving to buyers along expected schedules. Pricing pressures are still evident for both acid and rennet as fourth quarter contracts are entering final stages of negotiations.

SPOT SALES AND UP TO 3 MONTH CONTRACTS. PRICES ARE F.O.B., U.S. WAREHOUSE FOR EDIBLE NONRESTRICTED AND VARY ACCORDING TO MESH SIZE AND QUALITY.

RENNET: 1.8500 - 2.1000
 ACID: 1.6500 - 1.9500

SEPTEMBER MILK SUPPLY AND DEMAND ESTIMATES*

The dairy production forecast for 2001/02 is unchanged from last month. Although higher grain prices and uneven forage supplies are limiting growth in milk yields, cow numbers are higher. Milk price forecasts are little changed. Cheese prices remain weak, resulting in a slightly lower Class III price. Class IV and all milk are unchanged. Forecast 2002/03 milk production is reduced this month as higher grain prices are expected to further slow growth in milk yields. However, growth in demand for dairy products remains relatively weak. Thus, the forecast for Class III milk is reduced to \$10.05-\$10.85 per cwt. and the forecast for Class IV is lowered to \$10.55-\$11.55 per cwt. The all milk price is projected lower than last month.

Item	2000/01 <u>1/</u>	2001/02 Projection <u>1/</u>		2002/03 Projection <u>1/</u>	
		August	September	August	September
SUPPLY		BILLION POUNDS			
BEGINNING COMMERCIAL STOCKS <u>2/</u>	8.9	8.8	8.8	10.4	10.5
PRODUCTION	165.2	168.8	168.8	171.7	171.1
FARM USE	1.3	1.2	1.2	1.2	1.2
MARKETINGS	163.9	167.6	167.6	170.5	169.9
IMPORTS <u>2/</u>	5.4	5.3	5.3	4.8	4.8
TOTAL COMMERCIAL SUPPLY <u>2/</u>	178.2	181.6	181.6	185.7	185.2
USE					
COMMERCIAL USE <u>2/ 3/</u>	169.1	171.0	170.8	176.4	175.6
ENDING COMMERCIAL STOCKS <u>2/</u>	8.8	10.4	10.5	8.8	9.1
CCC NET REMOVALS:					
MILKFAT BASIS <u>4/</u>	0.3	0.3	0.3	0.5	0.5
SKIM SOLIDS BASIS <u>4/</u>	6.3	9.8	9.6	7.7	7.2
		DOLLARS PER CWT.			
MILK PRICES <u>5/</u>					
CLASS III <u>6/</u>	12.29	11.05-11.15	11.00-11.10	10.05-10.95	10.05-10.85
CLASS IV <u>7/</u>	13.88	11.15-11.35	11.15-11.35	10.60-11.70	10.55-11.55
ALL MILK <u>8/</u>	14.51	12.70-12.80	12.70-12.80	11.70-12.60	11.70-12.50
		MILLION POUNDS			
CCC PRODUCT NET REMOVALS <u>4/</u>					
BUTTER	0	0	0	15	15
CHEESE	17	10	12	6	6
NONFAT DRY MILK	525	830	815	655	610
DRY WHOLE MILK	3	0	0	0	0
	QUARTERLY <u>9/</u>			ANNUAL <u>9/</u>	
	2002 III	2002 IV	2003 I	2002	2003
MILK PRODUCTION	41.7	41.8	43.0	169.7	171.4
		DOLLARS PER CWT.			
ALL MILK PRICE <u>5/ 8/</u>	11.20-11.40	11.80-12.30	11.65-12.45	12.05-12.25	11.95-12.95
CLASS III PRICE <u>5/ 6/</u>	9.50-9.70	10.20-10.70	10.00-10.80	10.40-10.60	10.30-11.30
CLASS IV PRICE <u>5/ 7/</u>	10.20-10.50	10.35-10.95	10.25-11.15	10.70-11.00	10.80-11.90

NOTE: Totals may not add due to rounding. 1/ Marketing year beginning October 1. 2/ Milk equivalent, milkfat basis. 3/ Includes commercial exports. 4/ Includes products exported under Dairy Export Incentive Program. 5/ Projections indicate a range of the average for the quarter or year. 6/ Federal milk order Class III price. 7/ Federal milk order Class IV price. 8/ Milk of average fat test. Does not reflect any deductions from producers as authorized by legislation. 9/ Calendar year basis projection.

* The World Agricultural Supply and Demand Estimates were approved by the Interagency Commodity Estimates Committee. The members for Dairy are: Shayle Shagam, Chairperson, WAOB; John Mengel, AMS; Authur Coffing, FAS; James Miller, ERS; and Daniel Colacicco, FSA.

SOURCE: "World Agricultural Supply and Demand Estimates," WASDE-390, World Agricultural Outlook Board, USDA, September 12, 2002.

AUGUST MILK PRODUCTION

Milk production in the 20 major States during August totaled 12.2 billion pounds, up 3.8 percent from August 2001. July revised production, at 12.3 billion pounds, was up 2.3 percent from July 2001. The July revision represented an increase of 1 million pounds from last month's preliminary estimate.

Production per cow in the 20 major States averaged 1,568 pounds for August, 48 pounds above August 2001.

The number of cows on farms in the 20 major States was 7.79 million head, 51,000 head more than August 2001, and 3,000 head more than July 2002.

AUGUST 2002 MILK COWS AND MILK PRODUCTION, BY STATES

STATE	MILK COWS 1/		MILK PER COW 2/		MILK PRODUCTION 2/		
	2001	2002	2001	2002	2001	2002	% CHANGE FROM 2001
	THOUSANDS		POUNDS		MILLION POUNDS		PERCENT
AZ	140	150	1,520	1,775	213	266	24.9
CA	1,598	1,652	1,765	1,815	2,820	2,998	6.3
FL	153	149	1,115	1,145	171	171	---
ID	370	392	1,840	1,820	681	713	4.7
IL	115	115	1,370	1,395	158	160	1.3
IN	154	150	1,345	1,410	207	212	2.4
IA	207	210	1,475	1,480	305	311	2.0
KY	128	122	1,000	1,025	128	125	-2.3
MI	303	301	1,615	1,680	489	506	3.5
MN	505	485	1,385	1,410	699	684	-2.1
MO	144	136	975	1,090	140	148	5.7
NM	268	305	1,770	1,765	474	538	13.5
NY	673	677	1,480	1,520	996	1,029	3.3
OH	258	264	1,380	1,390	356	367	3.1
PA	598	585	1,480	1,515	885	886	0.1
TX	322	308	1,140	1,290	367	397	8.2
VT	152	154	1,460	1,450	222	223	0.5
VA	118	120	1,260	1,275	149	153	2.7
WA	247	248	1,945	1,965	480	487	1.5
WI	1,282	1,263	1,415	1,450	1,814	1,831	0.9
20 STATE TOTAL	7,735	7,786	1,520	1,568	11,754	12,205	3.8

1/ Includes dry cows. Excludes heifers not yet fresh.

2/ Excludes milk sucked by calves.

SOURCE: "Milk Production," Da 1-1 (9-02), Agricultural Statistics Board, National Agricultural Statistics Service, U.S. Department of Agriculture.

DAIRY OUTLOOK

Lower Returns Fail To Cut Milk Production - Milk production continues to post sizable increases from the weak levels of a year earlier, despite the lowest returns since the early nineties. Milk cow numbers have generally moved up since late summer-early autumn 2001 and were 0.5 percent above a year earlier by early summer. Meanwhile, gains in milk per cow were below 2 percent and have slackened compared with either last year's level or the longer run trend. Much lower milk prices and higher feed prices probably will put considerable pressure on milk producers during the rest of 2002 and 2003, but may not overcome recent upward production momentum easily or quickly. Feed prices will be sharply higher during the rest of this year and at least most of next year. Average concentrate prices are projected to run 10 to 15 percent higher than a year earlier, with prices of some feeds increasing much more. Alfalfa hay prices in much of the country are expected to be considerably higher than in recent years. Milk cow numbers are expected to start downward this autumn, although they are projected to stay above a year earlier through yearend. Decreases probably will accelerate during 2003, but the annual average is projected to be only about 1 percent below 2002, following a very small increase this year. Recovery in milk per cow was quite muted even with the earlier quite favorable milk-feed price ratios. Ratios through the end of 2003 are projected to run at levels associated with below-trend growth in milk per cow. Combined with spotty forage supplies and quality, any further recovery towards the long-run trends seems unlikely. Milk per cow is expected to increase about 2 percent in 2003, following a 2002 rise of about 2.5 percent.

Dairy Demand Not Yet Back - Even with the increase in milk production slackening to only about 1 percent in 2003, milk prices are not expected to recover significantly. This year's demand sluggishness has been more pervasive and longer lasting than expected and resulted in a significant buildup in commercial stocks. Although demand is projected to resume growth later this year or in early 2003, it probably will require some time for demand to pull down stocks and catch up with output. The recent period of economic weakness was mild and relatively short. However, a number of sectors continue to face significant adjustments, and the recovery has been inconsistent and somewhat sluggish. In addition, the shocks of the past year seem to have resulted in sizable shifts in consumer spending among product categories. Demand conditions are projected to gradually improve during the rest of the year and in 2003. So far this year, demand has weakened for most dairy products. The most prominent demand weakness has been stagnant cheese sales. Typically, cheese sales have grown somewhat even in much more pronounced recessions. Unlike butter, cheese is normally used in both modest and exotic dishes. Most importantly, pizza sales have normally grown through periods of economic weakness. This year, however, most types of pizza sales have struggled. Impromptu snack eating of pizza probably has been significantly affected. Plus, there does not seem to be any real increase in meal consumption of pizza, a pattern that differs considerably from earlier recessions. If pizza sales do not resume growth, recovery in overall cheese demand could be much slower than in similar earlier periods. When dairy demand resumes growth, it is not expected to bounce back to the extraordinary growth of 1998-2001. Increases similar to the long-run trend, from the reduced base, probably are about all that can be expected given the likely course of the economy. Lower retail prices probably will assist sales, but increases in commercial use are not projected to be dramatic.

Large Supplies To Hold Down Dairy Prices - August 1 commercial stocks were adequate or a little ample for most dairy products. However, extremely heavy holdings of butter pushed total commercial stocks to 12.5 billion pounds (milk equivalent, milkfat basis), up 1.6 billion from the previous record. Cheese stocks were more than the somewhat tight amounts of a year earlier but less than 2 years earlier. The cheese holdings probably were somewhat more than adequate in light of butter stocks, the continuing surplus of skim solids, and sluggish cheese sales. Manufacturers' stocks of nonfat dry milk were actually in fairly good shape for a change, down from both the preceding years. Wholesale dairy prices may post some seasonal increases in coming months, but such rises are expected to be quite moderate. Butter stocks will remain a major price factor, and these holdings are not likely to be worked off quickly or easily. Prices are projected to stay lackluster well into 2003. If production slows while demand recovers during the year, some price recovery is likely. However, only modest price rebounds currently seem most likely. Farm milk prices in 2002 are projected to fall an average of almost \$3 per cwt from 2001's strong showing. This would be the largest proportional single-year drop in a half century. Farmers are expected to receive only slightly higher prices in 2003.

SOURCE: "Livestock, Dairy, and Poultry Outlook", LDP-M-99, September 17, 2002, Economic Research Service, USDA. For more information, contact James J. Miller, (202) 694-5184. Note, this summary has been condensed from the original by the Market Information Branch, Dairy Programs, AMS.

FEDERAL MILK ORDER PRICE AND POOL SUMMARY, AUGUST

HIGHLIGHTS. Handler reports of receipts and utilization under the Federal milk order system for August have been filed and tabulated. Combined totals for the 11 consolidated orders are being released. During August, about 10.2 billion pounds of milk were received from producers. This volume of milk is 2.1 percent above August 2001 volume. (Taking into account the volume of milk not pooled due to intraorder disadvantageous price relationships, the year-to-year change is +4.8 percent.) About 3.9 billion pounds of producer milk were used in Class I products, 0.2 percent above the previous year. Calendar composition likely had a positive impact on milk used in Class I in 2002 as compared to 2001. The all-market average Class utilization percentages were; Class I = 38%, Class II = 11%, Class III = 45%, and Class IV = 6%. The weighted average statistical uniform price was \$11.34 per cwt., \$0.09 higher than last month, and \$5.50 lower than last year.

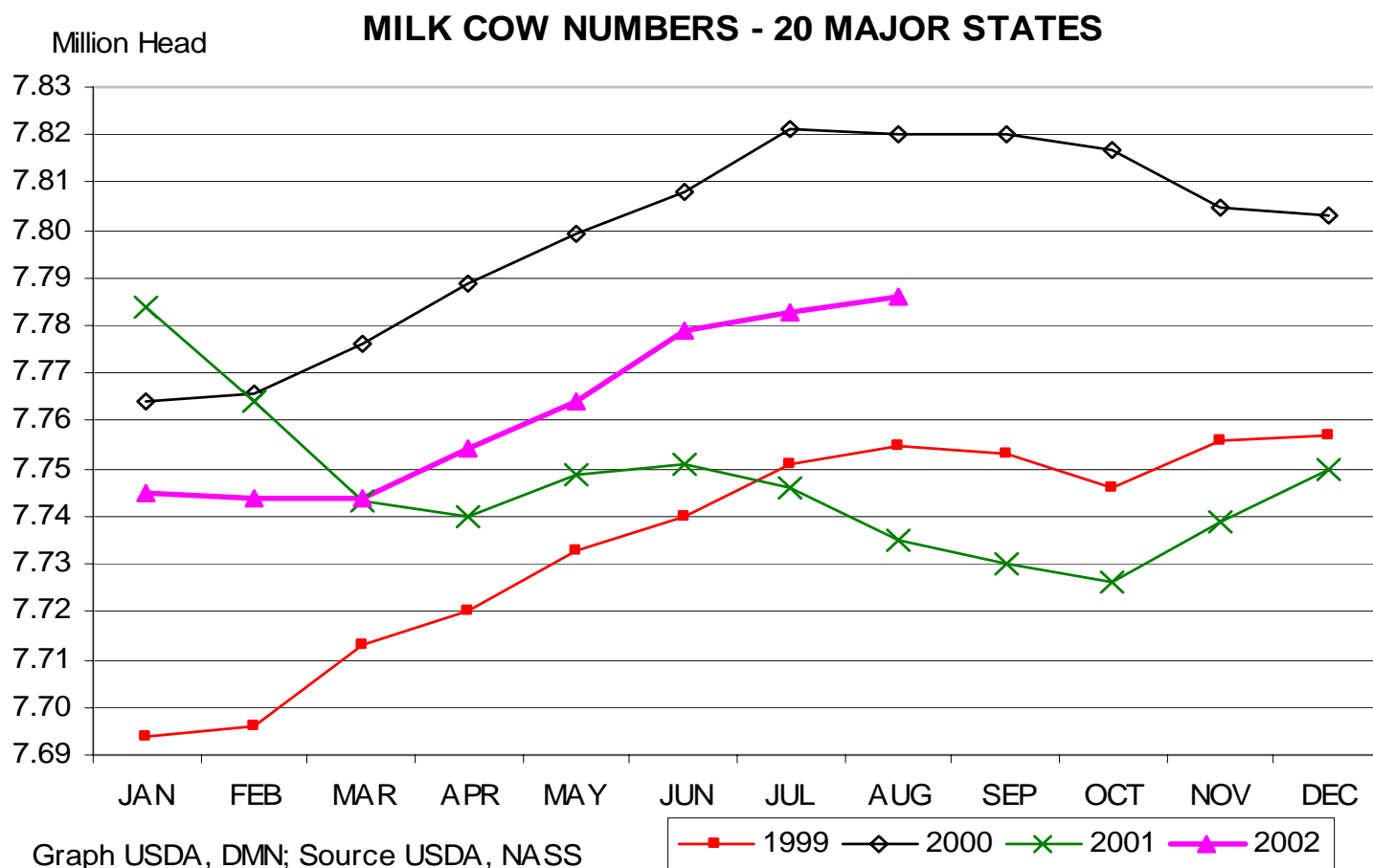
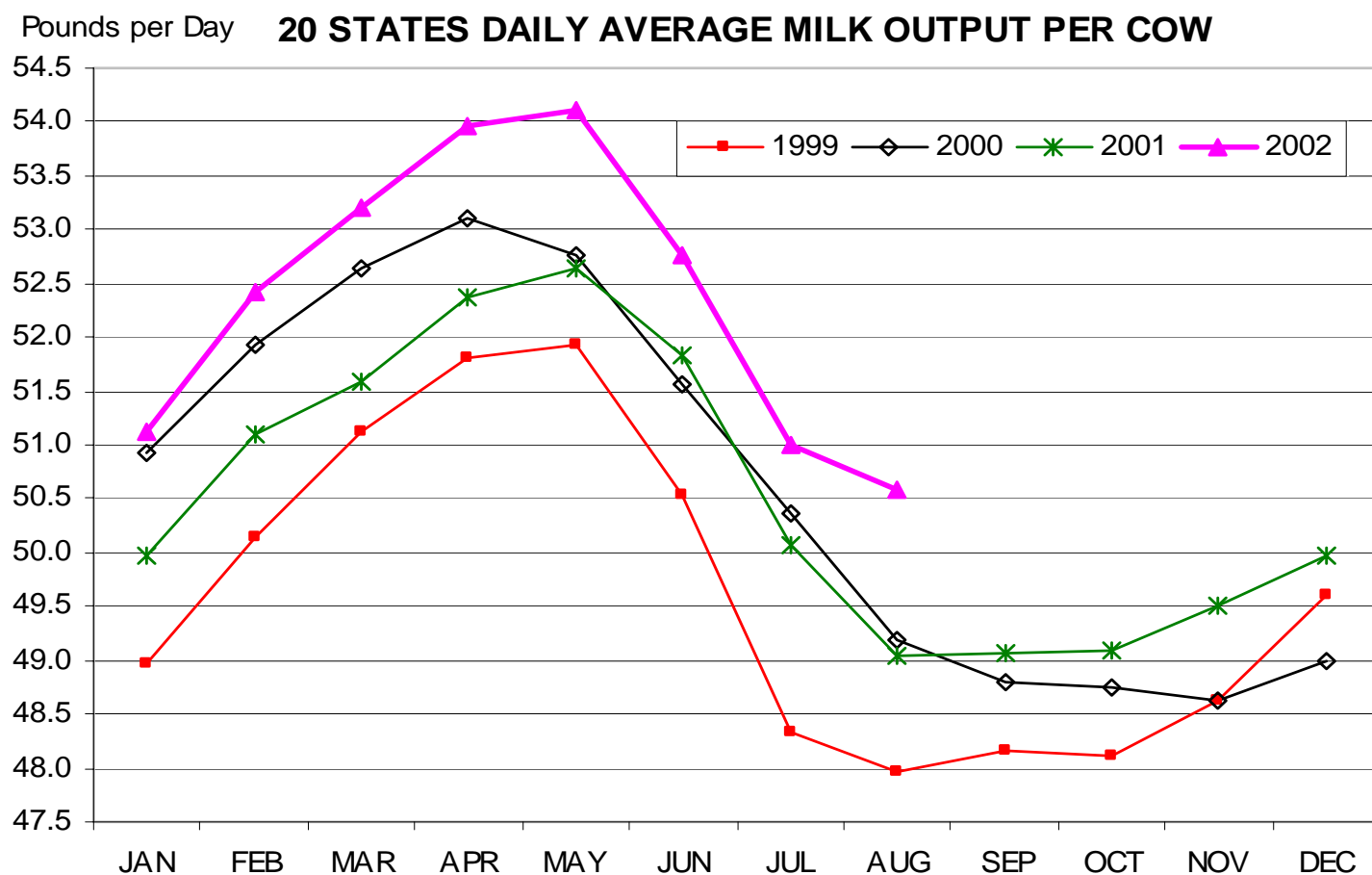
PRICE AND POOL STATISTICS FOR FEDERAL MILK ORDER MARKETING AREAS FOR THE MONTH OF AUGUST 2002										
FEDERAL MILK ORDER MARKETING AREA <u>1/</u>	ORDER NUMBER	RECEIPTS OF PRODUCER MILK		UTILIZATION OF PRODUCER MILK IN CLASS I			UTILIZATION OF PRODUCER MILK IN OTHER CLASSES			UNIFORM PRICE <u>2/</u>
		TOTAL	CHANGE FROM PREV. YEAR	TOTAL	CHANGE FROM PREV. YEAR	PERCENT	CLASS II	CLASS III	CLASS IV	
		MIL. LBS.	PERCENT	MIL. LBS.	PERCENT		PERCENT			\$ PER CWT.
Northeast (Boston)	001	2,047.9	0.6	885.9	-0.4	43	20	31	6	12.16
Appalachian (Charlotte)	005	529.9	2.4	384.2	-0.7	72	14	8	6	12.87
Southeast (Atlanta)	007	620.0	4.0	417.1	1.9	67	13	17	3	12.63
Florida (Tampa)	006	217.0	-0.7	199.6	0.4	92	7	1	3/	14.19
Mideast (Cleveland)	033 <u>4/</u>	1,395.5	11.7	565.7	-1.1	41	17	39	3	11.19
Upper Midwest (Chicago)	030 <u>4/</u>	1,729.7	11.0	344.2	1.6	20	2	77	1	10.20
Central (Kansas City)	032 <u>4/</u>	1,561.3	2.1	421.8	0.9	27	6	66	1	10.58
Southwest (Dallas)	126	779.3	12.2	350.8	-1.8	45	13	32	10	11.95
Arizona-Las Vegas (Phoenix)	131	224.7	1.8	80.0	-2.4	36	4	31	29	11.04
Western (Salt Lake City)	135 <u>4/</u>	455.3	-0.3	97.9	7.6	21	7	71	1	10.35
Pacific Northwest (Seattle)	124	680.4	8.3	179.2	2.9	26	5	37	32	10.66
ALL MARKET AVERAGE OR TOTAL	<u>4/</u>	10,205.0	2.1	3,926.3	0.2	38	11	45	6	11.34

1/ Names in parentheses are the major city in the principal pricing point of the market.

2/ Statistical uniform price for component pricing orders (Class III price plus producer price differential). For other orders, uniform skim milk price times 0.965 plus uniform butterfat price times 3.5.

3/ Less than 0.5 percent.

4/ Due to a disadvantageous relationship between intraorder class prices and the location adjusted statistical uniform (blend) price in these markets, handlers elected not to pool an estimated 330 million pounds of milk that normally would have been associated with these markets. In August 2001, the estimated not-pooled volume of milk was 60 million pounds. After adjusting for these not-pooled volumes, the year-to-year percent change is +4.8.



CCC PURCHASES OF DAIRY PRODUCTS (POUNDS)

	FOR THE WEEK OF SEPTEMBER 16 - 20, 2002			CUMULATIVE TOTALS		UNCOMMITTED INVENTORIES	
	TOTAL PURCHASES	CONTRACT ADJUSTMENTS	ADJUSTED PURCHASES	SINCE 10/01/01	SAME PERIOD LAST YEAR	WEEK ENDING 09/13/02	SAME PERIOD LAST YEAR
BUTTER							
Bulk	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Packaged	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Unsalted	-0-	-0-	-0-	-0-	-0-	-0-	-0-
TOTAL	-0-	-0-	-0-	-0-	-0-	-0-	-0-
CHEESE							
Block	-0-	-0-	-0-	2,799,171	3,050,083	-0-	-0-
Barrel	-0-	-0-	-0-	2,219,117	4,025,276	-0-	-0-
Process	-0-	-0-	-0-	2,296,800	3,999,600	-0-	-0-
TOTAL	-0-	-0-	-0-	7,315,088	11,074,959	-0-	-0-
NONFAT DRY MILK							
Nonfortified	4,158,290	1,921,079	2,237,211	648,734,893	370,751,587	1,142,930,000	601,394,000
Fortified	-0-	-0-	-0-	-0-	28,151,091	46,391,000	38,227,000
TOTAL	4,158,290	1,921,079	2,237,211	648,734,893	398,902,678	1,189,321,000	639,621,000

MILK EQUIVALENT, FAT SOLIDS BASIS, OF ADJUSTED PURCHASES (MILLION POUNDS)

	MILKFAT* BASIS	SKIM** SOLIDS		MILKFAT* BASIS	SKIM** SOLIDS
WEEK OF SEPTEMBER 16 - 20, 2002 =	0.5	26.0	COMPARABLE PERIOD IN 2001 =	-0.1	-5.5
CUMULATIVE SINCE OCTOBER 1, 2001 =	210.2	7,623.7	CUMULATIVE SAME PERIOD LAST YEAR =	190.1	4,752.9
CUMULATIVE JANUARY 1 - SEPT. 20, 2002 =	193.3	6,727.8	COMPARABLE CALENDAR YEAR 2001 =	73.5	3,270.3

* Factors used for Fat Solids Basis - Butter times 21.80; Cheese times 9.23; and Nonfat Dry Milk times 0.22

**Factors used for Skim Solids Basis - Butter times 0.12; Cheese times 9.90; and Nonfat Dry Milk times 11.64

CCC ADJUSTED PURCHASES FOR THE WEEK OF SEPTEMBER 16 - 20, 2002 (POUNDS)

REGION	BUTTER				CHEESE			NONFAT DRY MILK	
	BULK	PACKAGED	UNSALTED	BLOCK	BARREL	PROCESS		NONFORTIFIED	FORTIFIED
MIDWEST	-0-	-0-	-0-	-0-	-0-	-0-		-789,345	-0-
WEST	-0-	-0-	-0-	-0-	-0-	-0-		3,026,556	-0-
EAST	-0-	-0-	-0-	-0-	-0-	-0-		-0-	-0-

CCC ADJUSTED PURCHASES SINCE 10/1/01 AND SAME PERIOD LAST YEAR (POUNDS) AND MILK EQUIVALENT AS A PERCENT OF TOTAL

REGION	BUTTER		CHEESE		NONFAT DRY MILK		MILK EQUIVALENT (%)	
	2001/02	2000/01	2001/02	2000/01	2001/02	2000/01	2001/02	2000/01
MIDWEST	-0-	-0-	2,296,800	5,995,440	35,590,570	6,677,037	13.8	29.9
WEST	-0-	-0-	5,018,288	5,039,919	576,024,132	392,225,641	82.3	69.9
EAST	-0-	-0-	-0-	39,600	37,120,191	-0-	3.9	0.2
TOTAL	-0-	-0-	7,315,088	11,074,959	648,734,893	398,902,678	100.0	100.0

SUPPORT PURCHASE PRICES FOR DAIRY PRODUCTS PRODUCED ON OR AFTER MAY 31, 2001

MANUFACTURING MILK Average Test 3.67% - \$9.90 per cwt.

BUTTER Bulk \$.8548 per pound; 1# Prints \$.8848

CHEESE 40 & 60# Blocks \$1.1314 per pound; 500# Barrels \$1.1014; Process American 5# \$1.1839; Process Am. 2# \$1.2239

NONFAT DRY MILK Nonfortified \$.9000 per pound; Fortified \$.9100; Instant \$1.0575

U.S. Dairy & Total Cow Slaughter under Federal Inspection, by Regions, for Week Ending 08/31/02 & Comparable Week 2001

Regions* (000 HEAD)	U.S. TOTAL										% DAIRY OF ALL	
	1	2	3	4	5	6	7	8	9	10	WEEK SINCE JAN 1	WEEK SINCE JAN 1
2002-Dairy	0.2	0.9	7.4	5.1	21.4	2.3	0.4	0.9	13.0	2.2	53.8	47.3
2001-Dairy	0.2	0.8	5.5	5.2	17.7	2.7	0.5	0.8	11.5	2.5	47.4	44.1
2002-All cows	0.2	1.1	9.9	14.3	30.6	15.1	14.2	3.5	17.0	7.8	113.8	46.2
2001-All cows	0.2	0.9	7.5	14.7	27.2	15.1	15.0	4.4	14.7	7.7	107.4	

SOURCE The slaughter data are gathered and tabulated in a cooperative effort by the Agricultural Marketing Service, The Food Safety and Inspection Service, and the National Agricultural Statistics Service, all of USDA.

CLASS III (2000-2001) AND BFP (1999) MILK PRICES, (3.5% BF, \$/CWT. FOR COMPARISON PURPOSES ONLY)

YEAR	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC
1999	16.27	10.27	11.62	11.81	11.26	11.42	13.59	15.79	16.26	11.49	9.79	9.63
2000	10.05	9.54	9.54	9.41	9.37	9.46	10.66	10.13	10.76	10.02	8.57	9.37
2001	9.99	10.27	11.42	12.06	13.83	15.02	15.46	15.55	15.90	14.60	11.31	11.80

FEDERAL MILK ORDER CLASS PRICES FOR 2002 (3.5% BF)

CLASS	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC
I 1/	11.96	11.95	11.62	11.47	11.26	11.03	10.62	10.48	10.46			
II	12.69	12.28	12.19	11.88	11.29	11.19	11.14	11.07				
III	11.87	11.63	10.65	10.85	10.82	10.09	9.33	9.54				
IV	11.93	11.54	11.42	11.09	10.57	10.52	10.45	10.41				

1/ Specific order differentials to be added to this base price are located at www.ams.usda.gov/dyfm0s/mib/cls_prod_cmp_pr.htm